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PLAN SPONSOR RETIREMENT PLAN UPDATE

Quarter 2, 2012

Did you know?

We were recently named as a finalist in the Health Care Heroes awards sponsored by Crain's Cleveland Business. This award features champions of corporate wellness in northeast Ohio.

fifth annual

**Health Care
heroes**

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Fee Disclosure is finally here!

In the coming quarter, both Plan Sponsor and Participant Fee Disclosure will become effective. We have written and talked about this for many years, and now it is finally here.

As a plan sponsor, there are additional responsibilities that you will have with the fee disclosure rules.

With sponsor disclosure, you have the responsibility to understand the fees that are charged to the plan and to make sure they are reasonable. You do not have to look for the lowest fee, but you do have to consider if the fees are reasonable based on the quality and quantity of the services provided.



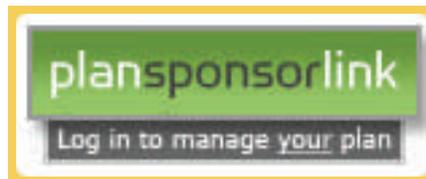
With participant disclosure, you now have a responsibility to report the fees that will be charged to the plan to the participants. Recent surveys have shown that 75% of participants think they pay no fees from their plan accounts, so it may be upsetting to some to learn they are paying fees. It's important to be able to explain to your participants that your fees are reasonable and evaluated on a regular basis. Thinking about how you will discuss the fees with your partici-

pants before they receive their disclosure documents is an important step to take.

Be sure to ask us if you need help!

Upgrade for plan sponsor access

Exciting News! We have purchased new software to enhance your experience as a plan sponsor. This software is called PlanSponsorLink and provides many exciting new features including year end data collection, plan document storage, a place to access plan forms and store quarterly and year end reporting, a receptacle for our



newsletters as well as a very cool way to transfer files. We will send more information about this new software soon. For those of you with quarterly valuations, we will begin to store your copies of the quarterly valuation and participant statements on this site starting with the June 30th quarter.

What you need to know about...

SPONSOR FEE DISCLOSURE

Over the past several years, the Department of Labor (DOL) has been very interested in looking at the fees that are associated with retirement plans. There is a responsibility for plan sponsors and their fiduciaries to make sure that the fees charged to the plan are reasonable. In the current climate, it was often difficult for sponsors and participants to determine the fees being charged to the plan or account. New regulations aim to bring fees out into the open for both sponsors and participants.

Effective July 1, plan sponsor fee disclosure is effective. This requires most companies that provide services to your retirement plan to disclose how they are paid to work with your plan. In the past decade, many providers were paid compensation from sources other than the plan or the sponsor (called indirect compensation). The DOL is concerned that many sponsors have no idea of the fees that are paid to their service providers. Since there is a responsibility for sponsors to ensure that the fees paid are reasonable, there is a need for sponsors to have clear explanations of their fees. We have always credited 100% of the indirect compensation we receive to reduce your invoice. Recently, we sent a detailed explanation of any indirect compensation we receive, why we receive it and how we report it to you. You should also receive a notification directly from your investment advisor, custodian and recordkeeper (if applicable). Please feel free to ask us if you're not sure who should be sending you a disclosure.

What you need to do.

- 1) Verify that you have received all required disclosures from the plan's services providers. Further ensure that those disclosures contain the required information. It varies based on the services and the provider type.
- 2) Understand the fees paid and the services provided. Ultimately, it is the plan sponsor's responsibility to make sure they understand the information given. Ask the service provider for any clarifications.
- 3) Determine if the compensation is reasonable. The goal is not to look for the lowest cost provider, but to make sure the fees are reasonable taking into account the quality and quantity of the services provided.
- 4) Take steps to deal with unresponsive service providers. Plan sponsors should make a written, dated request for any missing information to the plan's service providers. If that information is not provided within 90 days, the Department of Labor should be notified and the provider's services should be terminated.

These disclosures do not have to be made annually, but rather before entering into a contract or upon any changes to the disclosure. We plan to send our disclosure every year so that you are always well informed. Also, we will continue to reveal any indirect compensation we receive on your invoice.

Please call you administrator with any questions and be sure to read about participant fee disclosure.



What you need to know about...

PARTICIPANT FEE DISCLOSURE

The Department of Labor also is interested in providing more information about fees to plan participants. Many participants are not sure about how much their plan costs or what value they receive in exchange for fees. Participant fee disclosure is a new trend in the retirement plan industry and will promote transparency.

The new fee disclosure rules for participants go into effect as of August 30, 2012. The new disclosure will allow participants to make more informed decisions especially about their investment choices and the expenses that they entail. This new law will require more paperwork that you will need to distribute to the participant. It will only apply to plans where participants are allowed to direct their investments.

Annually, the participant must receive a report that contains general plan information about plan investments as well as an estimate of any fees that will be charged against their plan account (such as our administration fees and investment advisory fees). This information will also include information about individual charges the participant may incur (such as loan and distribution fees). Typically, we will provide this notice if we are the recordkeeper on the plan. Otherwise, the information may also come from your vendor if we do not provide recordkeeping.

Also annually, the participants must receive a chart with all of the investment choices in the plan. This chart should list performance data, benchmarking information and fee and expense information. We will provide this information if you have a “daily” plan where we host your participant website and make daily trades. Otherwise, the chart will come from your recordkeeper or your investment advisor. This chart is often referred to as the comparative chart.

Quarterly, the participants must receive the actual expenses that were charged to their account. If we prepare participant statements for you, then we will provide the information about these fees. We have been reporting fees on the participant statements for many years. They will now have to be broken out by the type of expense.

Surveys have shown that 75% of participants believe they pay no fees in their account. Obviously, this is not the case. Some participants may question why you are running fees through the plan. You should be prepared to answer questions about how this is common and that you are making sure that these fees are reasonable and needed to have a quality plan and investments. We will provide a fact sheet for employees to help describe the benefits of the plan as well as the necessity of the fees.

For plans where we produce the participant statements, we will send the initial annual notices with the next quarter’s valuation (for calendar year plans—with the June 30th statements). We have done this to try to minimize the work that you will need to do. The quarterly information will be disclosed on the next quarter’s statements (for calendar year plans—with the September 30th statements).

We are very aware that this new law will include more work for both of us. We have done everything in our power to make sure that these new requirements are as painless as possible. We are experts in everything about fee disclosure, so please feel free to contact us with any questions.

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Mark Your Calendar

Stay on top of your retirement plan's mandatory deadlines! Here are some important dates in the upcoming months. (Please note that filing dates are for calendar year plans. Non-calendar year plans must adjust these dates.)

Each Payroll: Remit deferral and loan repayments within 7 business days (small plans) or as soon as possible (large plans).

July 1: Plan Sponsor Fee Disclosure documentation due to Plan Sponsors (extended from April 1st).

July 31: Form 5330 and excise tax due on prohibited transactions (i.e.: late 401(k) deposits).

July 31: Annual Form 5500 report and schedules due to be filed electronically with DOL (without extension).

August 14: Second Quarter PPA Statements due for participant directed plans.

August 30: Annual fee disclosure documents due to plan participants in participant directed plans

September 15: Extended deadline for filing of corporate tax returns and contribution deadline for deductibility.

September 30: Summary Annual Report due to participants (if Form 5500 not extended).

October 15: Extended deadline for filing Plan's annual Form 5500 filing.

November 14: Third quarter PPA Statements due for participant directed plans. Quarterly fee disclosure documentation also due to plan participants.

